KPMG

Disrupt and grow

U.S. CEO Outlook 2017

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CEOs see this time as one of opportunity and investment and are locking into what needs to be accomplished to distinguish their companies. They understand that in today's fast-changing, ultra-competitive environment digitizing their business and investing in new technologies is critical and will result in a need for new talent.

Lynne Doughtie,
KPMG U.S. Chairman
and CEO

From the CEO

What a difference a year makes! While CEOs and their organizations continue to face significant disruption, this year's CEO study finds CEOs in a much better place in terms of business confidence.

What changed? Consider this: Last year two thirds of CEOs were concerned their organizations were not disrupting business models in their industry; today CEOs regard themselves as disruptors.

Confidence abounds. Many more CEOs this year express a high degree of confidence on business growth in the next three years. An overwhelming majority are confident on the U.S. economy, and U.S. CEOs' confidence rose on the prospects for global growth, whereas global confidence fell for CEOs across several top countries.

CEOs today are intent on moving quickly. In fact, speed-to-market was tabbed as their greatest strategic priority. In charting the way forward, they will continue to devote significant investment in key areas, such as cybersecurity and digital infrastructure and, because of emerging technologies, they will be targeting specialists in middle and senior management, HR and R&D.

But, there are several issues too. Many admit their organizations do not have the sensory capabilities and innovative processes to respond to rapid disruption. Nearly half say they are not leveraging digital to connect to their customers effectively. They need to sharpen their customer focus and don't trust the data that's presented to them. And they seek to move away from a culture of short-termism, recognizing the negative impact on long term strategic objectives.

You'll find a great deal of data and insights to draw from in this report, and we will continue to share other results, such as industry findings with you in the months ahead.

As always, we sincerely thank the CEOs who took the time to share their views with us.

Lynne Doughtie
KPMG U.S. Chairman and CEO

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Key findings

CEOs confident, see opportunity amidst disruption

— 46 percent are 'highly confident' about their growth prospects in the next three years, up from 32 percent in 2016

— 72 percent say rather than waiting to be disrupted by competitors, their organizations are actively disrupting their own sectors; in 2016, two-thirds of CEOs were concerned their organizations were not disrupting business models in their industry

— 60 percent see technological disruption as more of an opportunity than threat

Digital & sensory concerns

— 57 percent say their organizations do not have the sensory capabilities and innovative processes to respond to rapid disruption

— 61 percent are concerned about integrating cognitive processes and artificial intelligence

— 45 percent say they are not leveraging digital as a means to connect to their customers effectively

Integrity of data questioned

— 49 percent are concerned about the integrity of the data they base decisions on

— 32 percent say the depth of their customer insight is hindered by a lack of quality customer data

Speed-to-market tops priorities

— Improving speed-to-market, digitizing business, becoming more data-driven and building public trust are their top strategic priorities

Customer focus dims a bit

— A stronger client focus ranked 10th in strategic priorities; in the 2016 study it ranked first

— 48 percent say they have a growing responsibility to represent the best interests of their customers

— 56 percent say that their organizations can confidently articulate how they create value for customers

Cybersecurity spend has its rewards

— Three-quarters see investment in cybersecurity as an opportunity to find new revenue streams and innovate

— CEOs expect significant investments in cyber, digital infrastructure, regulatory compliance and emerging technology over next three years

Trust, values and culture keys to future

— 81 percent believe their organization is placing greater importance on trust, values and culture in order to sustain its long-term future

— 69 percent say a culture of short-termism has had a negative impact on long term strategic objectives

CEOs become more U.S.-centric

— 92 percent view U.S. as top market for new growth; last year U.S. CEOs viewed India (44 percent) as top market for growth followed by U.S. (37 percent) and China (36 percent)

— U.S. CEOs more confident than non-U.S. peers on global economy

— To achieve growth, 44 percent of CEOs intend to increase penetration into existing markets

— 54 percent are reassessing their global footprint

Recruiting budgets target cognitive, risk specialists

— While overall hiring is expected to be lower, 80 percent of CEOs are increasing budgets for recruiting

— A third of CEOs are ‘significantly’ increasing headcount because of impact of emerging technologies, especially in middle and senior management, R&D and HR

— 77 percent recruiting new skills/specialists to help better understand geopolitical risks

Addressing the challenges of disruptive technologies

CEOs expressed a surge in confidence in this year's KPMG U.S. CEO Outlook study. They show high confidence levels in economic growth over the next three years, and far greater confidence for the United States and their companies than last year. This confidence seems to be at odds with some of the study's other findings: Most CEOs do not seem to expect much in the way of policy reform, and they are still feeling the accelerating force of disruptive technologies and new competitors. What has changed is how CEOs of large organizations are addressing these challenges.

CEOs are building strategies around managing the value chain in an environment of constant disruption. They are just beginning to realize how artificial intelligence (AI), machine learning and cognitive capabilities could bring a surge in productivity as well as help to create new products and new demand that would not be possible without these capabilities.

Many CEOs are looking at an internal reboot. There is a lot of building behind the scenes and a steep learning curve—not only for the C-suite but across the enterprise. To become a digitally integrated, transparent and cognitive enterprise means rethinking many processes. It means automating many tasks—not only in the front end consumer interface or at the back end with finance and supply chain but throughout the organization. That will bring radical changes to the way people work in many functions. Workforce training is a top priority in this environment. Building trust has become a recurrent priority: trust with employees, with customers and with other stakeholders. In today's environment, there is nowhere to hide.

CEOs are understanding the perils of short term thinking in the long term technological, operational and strategic shift now underway and expect many of the benefits of current investment to pay off in ways they can't even predict today.

One thing is clear: CEOs are embracing technological disruption rather than fearing it. It is also clear that some firms are being quietly left behind.

Investing in the future

Becoming a digitally-evolved enterprise

CEOs have seen the future, and it is digital. They are building strategies around speed-to-market, technology transformation and scaling up their own business processes and operations. They are investing in data analytics, cognitive technologies and connecting more of their products, supply chain and customer touch points into an integrated, intelligent network.

This is a profound change from the top-line, customer-centric growth strategies that CEOs have prioritized in past years. In fact, 95 percent of CEOs expect to grow revenue less than 5 percent in the next three years; 60 percent forecast growth of less than 2 percent. Clearly, the confidence CEOs are expressing is not coming from expectations of outsized revenue growth in the near future.

Geographic expansion, diversification and acquisitions fell to the bottom of CEOs' strategic priorities this year. Instead, organizations are looking deeply into how they create value in a world of disruption, and many are expressing far greater confidence about how they can re-align their organizations to deliver that value and increase speed-to-market at the same time.

"What was a huge value contributor to the company five years ago may be much less so today," explains Brett Weaver, Partner, International Tax, Value Management Leader at KPMG. "Maybe it's connectivity to customers, and the data and technology that makes that possible becomes a value driver, replacing the role that research and development played in the past. Or, maybe a company creates value through its supply chain. The value chain is evolving not only from a manufacturing and production perspective, but also through automation, greater visibility and more powerful data analysis. The goal is a more direct integration of design, product development and manufacturing—from drawing board to delivery."

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Areas of greatest investment in technology expected in three years

61% **Data analytics**

58% **Cognitive technologies**

55% **Internet of Things**

> **Technology disruptors are the largest drivers of change in business now and for the foreseeable future. These technology disruptors – automation, greater use of advanced data and analytics, cloud-based tools, robotics and AI – are common across all major industries, raising similar opportunities and challenges to business and operating models of the future. As companies continue to integrate these technologies in their business, more learning becomes available every day that can be leveraged from company to company and industry to industry.**
>
> P. Scott Ozanus,
> U.S. Deputy Chairman
> and COO, KPMG

Investing in the future *(continued)*

> **We have to ask: Is 5 percent or less growth going to be acceptable to the key stakeholders of most organizations? The only way you enhance growth is to become more innovative. Ultimately, the hard part is determining how much investment is necessary to achieve that innovation-fueled growth. It will be a balancing act between the short term and the long term. Too much innovation can starve the company's core strategy today. But too little can erode competitive advantage in the long term.**
>
> Mike Nolan,
> Vice Chair, Innovation & Enterprise Solutions,
> KPMG

To be effective, many of the technologies that CEOs are investing in today require a dynamic understanding of how a company creates value and the people and the capital they deploy to create that value, and how that value is changing over time. "By understanding where that value is created, many CEOs are already starting to see new revenue streams, new verticals and new efficiencies," says Weaver.

Patrick Bass, CEO of thyssenkrupp in North America, has seen how this plays out in his own company, a 200-year-old industrial firm. "It's very easy for companies to focus on a product," he explains. "But to really become a digitized company and to leverage and create new revenue streams from a data-evolved business model, you can't think in terms of a product. You have to start thinking about things in a very different way on a basis more of competency," he says. "As we jump into digitization and monetize the data that we already have, we are seeing new growth opportunities," he adds. Batteries and energy storage, conversion of gas harnessing and downstream activities from shale gas are all competencies that can be tailored as services for other industry verticals—a shift away from thyssenkrupp's traditional business model of only selling equipment.

To innovate effectively, Rodney Martin Jr., Chairman and CEO of Voya Financial, aims to shift the mindset at his own organization. "Innovation requires an organization to not only be designed around growth and delivering operating efficiencies, but also be enabled to solve new market problems," he explains. Non-digital-native companies come from a tradition of risk mitigation, which puts a high cost on experimentation and failure. "In order to innovate, we have to design a system that allows innovation to breathe and flourish through pilots, labs, and minimum viable products where we drive continuous market learning," he says.

In supply chains, the challenge for any technology is the ability to truly connect and provide visibility into each step along the way, explains John Wiehoff, CEO of C.H. Robinson, a global third-party logistics company. Regardless of which platform a company chooses, connecting all the data points and disparate systems requires an investment, and speed will be a driving force for success. "We have to make a decision, evaluate results and iterate to continue growing—and all that has to happen quickly and decisively," he explains. "A company can have the most data, analytics, tools and automation, as well as a strong culture, but if you cannot move quickly, iterate and innovate, you will be left behind." ■

Top five strategic priorities over the next three years

Greater speed-to-market	25%
Digitization of the business	22%
Becoming more data-driven	21%
Building public trust	21%
Implementing disruptive technology	20%

Tech sector a key to success for companies in all industries

Tim Zanni, KPMG's Global and U.S. Technology Sector Leader

Over 70 percent of CEOs in our CEO Outlook survey, including tech CEOs said their organizations are actively disrupting their sector, rather than waiting to be disrupted—and technology is powering it.

CEOs are investing in innovation, digital infrastructure, cybersecurity, and emerging technologies, as every sector in the survey is snapping up new technologies. For example, TechNavio forecasts that the global market for artificial intelligence will grow five times to $968 billion between 2016 and 2021. U.S. CEOs are using new technologies to drive bottom-line growth. However, adoption blurs traditional sector lines, thrusting previous non-competitors into the same arena where collaboration is critical to survive and thrive. Established brands and emerging players are partnering with technology industry leaders and start-ups to acquire the skills and capabilities to drive their next-generation products and services. These new partnerships aim to overcome tech complexity and a lack of skills, knowledge that CEOs view as their biggest barriers to success.

It's clear the interconnectivity between the technology sector and other industries will continue as a catalyst for industry convergence and market leadership.

> **"CEOs are looking at their organizations with constructive energy and have more latitude to evaluate the spectrum of new technologies across the front, middle, and back office. They seek to transform and drive efficiency, and, ultimately, position their businesses for growth. The desired outcome—market share and profitable growth—will be achieved by adding new value to their customers and by enhancing intimacy to maintain and expand those client relationships."**
>
> Carl Carande,
> Vice Chair, Advisory,
> KPMG

To disrupt is to exist

Time for a reboot?

One out of three CEOs believes that their sector will see a major disruption in the coming three years as a result of technological innovation. But the majority of CEOs see technological disruption as an opportunity—particularly cognitive technologies, artificial intelligence and machine learning.

To take full advantage of cognitive technology, you have to really consider the entire business model as well as the supporting operating model, explains Cliff Justice, Principal in KPMG's Innovation & Enterprise Solutions team and leader of the firm's Cognitive Automation initiative. "These technologies require process change. They require delivery model change. They change the way you hire and train. They change the way you face your customers," he says. "This isn't a tool. It's not a single technology. It's a suite of technologies and changes in how you do work that is transformative in nature," he explains, and they require a broad-scale transformation.

One out of three CEOs plans to execute their strategy through a large-scale transformation. "They recognize that incremental changes will not allow them to keep pace with the disruptions caused by new technologies, new market entrants and increased expectations on the part of customers," says Stephen Chase, KPMG's U.S. Management Consulting leader. "The speed at which these disruptions are occurring is creating incredible opportunities for companies that can take advantage of them and creating serious challenges for those that can't."

Power generation is an industry that is undergoing massive disruption and transformation. Central power generation is being augmented by intermittent power from wind farms and distributed supply from rooftop solar generation. At the same time, advances in demand management, battery storage, electric vehicles and smart devices are changing the demand side of the equation.

Seventy-two percent of CEOs say rather than waiting to be disrupted by competitors, their organizations are actively disrupting their own sectors; in 2016, two-thirds of CEOs were concerned their organizations were not disrupting business models in their industry.

Adena Friedman, CEO of Nasdaq, Inc., believes that technological change in her sector is unprecedented. "I think there is a lot of talk in the market about disruption, but those who are really leading are those who are embracing technological innovation to transform their business. Those who are seizing on the opportunity created by disruption will get an advantage in this market," she says.

"We work with numerous CEOs and their leadership teams zeroing in on their sector's priority business model disruptors," says John Farrell, KPMG's National Managing Partner of Innovation & Enterprise Solutions. "They want to dismantle the trend or get ahead of it, surpassing competition. For instance, we see numerous consumer goods companies studying the pervasiveness of platform business models gnawing away at consumer loyalty via indirect online sales and complicating supply chains through e-commerce, introducing excessive cost. They now get the fact that they need to disrupt or be disrupted and potentially fail."

> **"The speed at which these disruptions are occurring is creating incredible opportunities for companies that can take advantage of them."**
>
> Stephen Chase, KPMG's U.S. Management Consulting Leader

The end-to-end digital experience

Tysons Foods' President and CEO Tom Hayes is investing in big data capabilities as a means to move more efficiently on customer insights. But these technologies and insights are turning out to be more than a front office tool. "We have real time data from the shelf back to our supply chain," he explains. "It takes out a lot of waste and helps us to more accurately forecast—a great benefit for products with a short shelf life," he adds. "The whole idea of knowing what the consumer wants before they want it is sort of the brass ring."

Rick Wright, Experience Design & Engineering and U.S. Digital Transformation Leader at KPMG, sees clients who are now very good at bringing people to the front door in new ways. However, once they try to open this door and push through to order products, clients are finding their ability to connect the front office experience through core operations from the middle to the back office is where the rubber really meets the road. "If they build this isolated island in the front office that looks good but doesn't deliver on the promise it made, they'll fail to meet their customers' expectations," he explains.

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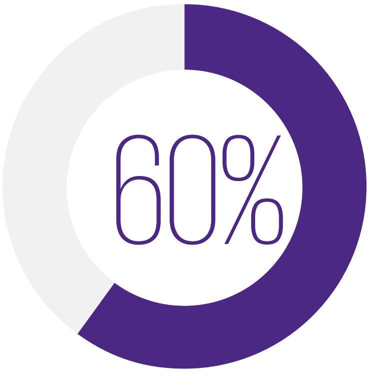
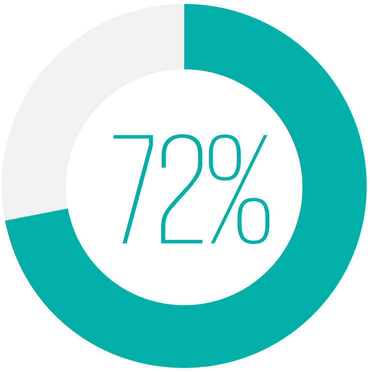


See technological disruption as more of an opportunity than a threat



Say that rather than waiting to be disrupted by competitors, their organization is actively disrupting the sector in which they operate

> **"Many large, incumbent organizations today are becoming unbundled by start-ups and tech giants who are providing easier and more economical access to capabilities/outcomes for customers. Innovative new services and platform business models that adeptly match supply and demand provide some of the more visible and remarkable examples of unbundling and disintermediation, especially in the relatively high visibility financial services and automotive industries. However, incumbents can avoid being undone. They can go on the offensive with proactive and innovative strategies to disrupt status quo products, services and their method of delivery. Industry incumbents have access to many of the same technological tools and business techniques available to start-ups and tech companies. Culture, speed of adoption and agility are often major incumbent impediments. Their advantage is a network of existing customers waiting to see who serves them best first."**

Steve Hill,
Global Head, Innovation and Investments,
KPMG

To disrupt *(continued)*

> It's increasingly becoming clear to CEOs the breadth of the impact that cognitive technology and other forms of artificial intelligence will have on the business model and the operating model that supports the business. As more of the use cases become apparent to the marketplace, the reality of the impact and the magnitude of the impact are starting to set in with our clients, and so is the speed. Last year, people were saying this is two or three years out. This year, they're saying this is not a linear progression; this is exponential. When we look at the results of the survey, we're seeing companies are embracing this technology along with other digital technologies to transform their business with increasing speed.

Cliff Justice,
Principal, Innovation & Enterprise Solutions,
Cognitive Automation Leader
KPMG

Reading the signals

Six out of 10 CEOs still struggle with reading market signals and developing innovative processes in an age of rapid disruption. Technology plays a role in developing that capability, but it's not the end goal. It is important to understand from a perception standpoint what's happening with stakeholders, explains KPMG's Weaver. "The best practices are in companies that are investing in sensory capabilities, which are people, data, technology and processes," he says. "It's really around preparedness, an ability to react with speed to take advantage of opportunities, and doing more around scenario analysis, looking across the global stage to better understand your organization's sensitivities."

How do you build a sensory advantage to understand what's next? Companies must have a longer-term, comprehensive view of their entire business ecosystem—including key indicators, new entrants and technologies, and market dynamics, explains KPMG's Carande. "This is a challenge for many organizations because it requires new thinking, and the ROI isn't always easily discernible. CEOs recognize the critical role they play in this process, pushing for new, better and bolder ideas that will drive sensory advantage and business strategy."

The same dynamic is evident in the IT sector as well. "The hit that wipes you out is the one that comes from the side," says Safra Catz, CEO of Oracle. "So you need to keep an eye on all directions. If I were to give anybody advice, I would say: do your job and look around, talk to your customer and stay on mission. Don't get distracted by success."

57% **Are concerned that their organizations do not have the sensory capabilities and innovative processes to respond to rapid disruption**

The future CEO

A culture of shifting priorities

It's the age of the machine, but human values such as trust or empathy rank high on the list of CEO priorities. Perhaps this is because trust and empathy are what machines cannot give us, or at least, not yet.

There is a perceived inherent conflict between espousing humanistic values and profits. Seventy-four percent of CEOs believe that becoming more socially responsible is incompatible with short term performance objectives. Indeed, short-termism is an issue, but CEOs we spoke with see the long term value of trust and ethics.

NRG President and CEO Mauricio Gutierrez believes that a mission and purpose are needed to attract young talent. "They are both our future talent and our future customers, the ones evaluating technologies and keeping at the forefront of this significant period of change," he says.

Tyson's Hayes builds consumer trust by providing what the consumers demand—healthy living. "We are moving to a place where we're providing healthier food, healthier animals, environment and workplace," he says. "We have been redefining the overall company purpose. In the past, there's been a focus on, 'Big food is bad.' What we intend to do is continue to raise the world's expectations for how good food can be."

In the study, 81 percent of CEOs believe their organization is placing greater importance on trust, values and culture in order to sustain its long term future.

"The CEOs I work with have always embraced the idea of building trust as a core value, but today's digital and social media environment has raised the stakes," says KPMG's Carande. "There is absolutely nowhere to hide. A single bad interaction with a client can yield rapid negative exposure for your brand. Under that type of pressure, CEOs must focus on protecting the brand and conveying their cultural values to employees as well as current and future customers." ■

43%

Say they need to understand the technical side of the business in order to be a good CEO

57%

Say building greater trust among external stakeholders and customers is among the top three priorities in their organization today

81%

Believe their organization is placing greater importance on trust, values and culture in order to sustain its long-term future

> **"CEOs recognize that we live in a very exciting world. We would love to explore and to invest in many new opportunities, but we have to navigate this new environment with the same rule book that has been around for 40 or 50 years. The 90-day mold of many companies means that we have to make pretty Draconian tradeoffs."**
>
> Paul Galant,
> CEO, Verifone

When he talks to students, J. Patrick Gallagher, Jr., Chairman, President and CEO of Arthur J. Gallagher & Co., hears the same question every time: "As CEO of a New York Stock Exchange publicly traded company, how do you balance the need for successful economic earnings growth and ethical behavior?"

His answer: "You've got it wrong. If you don't have the ethical culture and mean it, over the long term you won't have the earnings."

CFOs central to investment guidance

Frank Casal, KPMG U.S. Vice Chair – Audit

While the KPMG study sheds a great deal of light on the challenges ahead for CEOs, it is also apparent how these challenges impact all in the C-suite. Take the CFO, for example, whom CEOs view as potential successors (34 percent), second only to the Chief Operating Officer (42 percent).

CFOs can significantly impact both the here and now, while preparing the organization for future staying power and growth. Consider this: 79 percent of CEOs acknowledge that their shareholders and board place equal weight on both long term and short term performance objectives, yet 69 percent of them say a culture of "short-termism" has indeed had a negative impact on achieving long term strategic objectives.

Since today's investment decisions will drive both an organization's operational and cultural needs, CFOs should be central—dare we say the ultimate referee—to the next spend. The CFO and the CIO need to collaboratively weigh whether back office technology needs more investment than the sales group's advanced digital customer service platform or perhaps marketing's new social media platforms, which delivers short and long term promise, versus a quick fix to boost immediate sales?

CFOs need to have collaboration skills unlike any time in history; they need negotiation skills to bring all areas of the organization together toward one visionary goal; they need to have a working knowledge of the ROI on new data analytical tools for growing the customer base; and they must understand the potential benefits of new product research, as well as how investments in their own financial analytics could help add incrementally to the bottom line by extracting new insights into potential efficiency and effectiveness.

With so many investment choices, CFOs can play a critical role in helping the CEO balance all priorities.

Humans and machines

The challenge of leveraging technology and talent

From data and analytics to cognitive and robotics, CEOs see technology as transformational power for these new capabilities. But four out of 10 are concerned about whether their organization is keeping up with new technology, and six out of 10 are concerned that their organization does not have the sensory capabilities and innovative processes to respond to rapid disruption. A troubling question for nearly half of them is the quality of their data—the basis for automation, cognitive computing and understanding their customers.

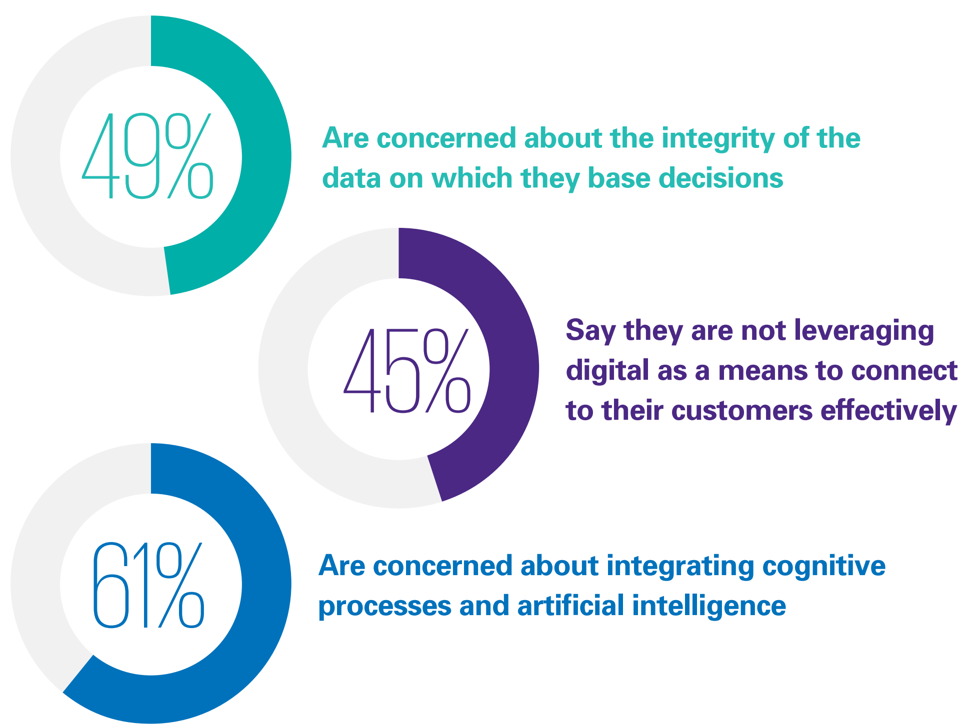
Humans and machines *(continued)*

One thing that CEOs make clear: Technology may be driving transformation, but succeeding in the cognitive era requires a coherent strategy, enlightened talent management and an understanding of where an organization can create value. It's not just technology; it's about people and values and the ability to create an organization that can adapt to accelerating change. Yet six out of 10 CEOs are concerned about integrating cognitive processes and artificial intelligence.

Kevin Akeroyd, CEO of Cision, a leading earned media and communications technology and analytics company, put it this way: "At the 200,000-foot level, I believe cognitive, machine learning, and AI will be far less impactful than everyone thinks in the next two years, and far more impactful than anyone can imagine over the next 10 years." Cision is pushing ahead in an industry that has been slow to invest in some areas. "In our industry, we have to play catch-up on several levels of more basic data harnessing, activating, targeting and measurement of ROI before we even start thinking about AI," he explains.

Of course, not everyone agrees on the transformational powers of artificial intelligence. "The world is investing billions to try to put traditional insurance brokers out of business," says J. Patrick Gallagher, Chairman, President and CEO of Arthur J. Gallagher & Co., a global insurance broker and risk management firm. But he does not believe that insurance is going to be completely turned upside down by technology. "The differentiating factor in our business is our people and our expertise, and you can't really just high-tech that." Gallagher's firm already relies on data analytics, and he is looking at both artificial intelligence and machine learning, "but not to the level that you're reading about," he says. Gallagher sees competitors investing everything in disruptive technologies, and he is watching and proceeding with caution. ■

What are CEOs concerned about?



"Organizations are getting so much data and so many more types of data, such as from external sources, and in many cases these data are not governed by long relied-upon controls. It's natural that nearly half of CEOs would express concern about relying on data they are not sure they can trust. This is part of the anxiety CEOs express about implementing technologies that rely on that data, such as artificial intelligence and cognitive computing. To make matters worse, artificial intelligence analytics are effectively a 'black box' that is too opaque to be verified by most people. Since it's difficult to see inside the black box, trust becomes more important, but also difficult to obtain. As a first step, organizations need to have transparency in the data science processes to better understand and rely on the analytics. Only then will executives have more confidence in their decision making using data analytics."

Brad Fisher,
U.S. Leader, Data and Analytics,
KPMG

What are the greatest barriers to implementing new technologies?

AI & cognitive automation driving manufacturing

Brian Heckler, KPMG's National Sector Leader, Industrial Manufacturing

It seems everywhere you look, traditional original equipment manufacturers are investing heavily in artificial intelligence. Ford has announced its plans to invest $1 billion over the next five years in Argo AI, a start-up whose focus is the development of autonomous vehicles. Similarly, last year GM invested $1 billion when it acquired Cruise Automation, another AI start-up. Companies are engaged in a war for talent in this aggressive environment and automotive CEOs are taking notice. Nearly six in 10 say they intend to invest heavily in AI technology in the next year. And nearly half say they will significantly invest in cognitive automation—compared to just 21 percent of all other industries.

The trend is not limited to automotive, as over three in 10 manufacturing CEOs across sectors intend to invest heavily in the Internet of Things and over a quarter will invest significantly in cognitive automation. CEOs recognize that to remain competitive, developing new technologies will be critical and fostering a culture of innovation is at the heart of their business agenda.

Talent management

The changing role of humans in the cognitive era

Speak to any CEO about what artificial intelligence, machine learning and cognitive computing will mean for their organization and it's clear that the question of talent management is far more important than the technology behind these new capabilities. CEOs expect to add headcount in the next three years to deal with emerging cognitive technology, and these technologies will have the greatest impact on hiring middle and senior management, R&D and HR personnel. The advent of the cognitive era may not be causing massive redundancies, but it is causing a great deal of anxiety in the workforce.

"The immediate human reaction to robotic process automation (RPA) for knowledge-process work and AI is 'What's that going to do to my job?,'" says Claudia Saran, Principal, Advisory, U.S. People and Change Leader at KPMG. Very few skilled jobs can be replaced completely by automation but many have an aspect that can be greatly enhanced with cognitive capabilities. "Smart organizations are working with employees to alter their perception of technology—to think of it as a colleague that allows you to focus on more interesting and value-added work," she adds. For the enterprise, there is an intriguing business case. "You can do more, you can be more productive, and you can use the power of these technologies to get a jump on the competition."

Will machine learning replace human capital eventually? No doubt some jobs will disappear but others will be created. There was a fear in the paralegal profession, for example, that automation and the ability to search vast databases of legal case history would eliminate the need for paralegals, says Constance Hunter, Chief Economist at KPMG. "Instead, we've actually seen a surge in paralegal demand because better analytical tools and data created an increase in demand for more robust evidence." Paralegal employment has grown by 15 percent since 2007 and the Bureau of Labor Statistics predicts it will grow by 6.8 percent over the next decade, compared to a growth rate of 4 percent for overall employment since 2007 and 6.5 percent over the next decade.

"As in past periods of economic transformation, AI will unleash new levels of productivity, augment our personal and professional lives, and pose existential questions about the age-old relationship between man and machine," Marc Benioff, CEO of Salesforce, wrote recently in *Wired*. "It will disrupt industries and dislocate workers as it automates more tasks. But just as the Internet did 20 years ago, AI will also improve existing jobs and spawn new ones," he predicts.

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"The future focus will be on developing resilient careers, not just jobs. Employers will shift from consumers of work to builders of talent. This is how companies will compete."

Jonas Prising, Chairman and CEO, ManpowerGroup

What areas are CEOs increasing investment in over the next 3 years?

80%

Recruitment

58%

Digital infrastructure

57%

Workforce training

“More than anything, the integration of emerging technologies is shaping the way CEOs cultivate talent for the future. Large organizations are more deliberately recruiting employees who have a high comfort level and curiosity for machine learning as well as an openness to digital literacy, business intelligence, data and analytics, and business partnering. They are also looking for recruits that share a growth mindset, with high adaptability, high resiliency and high levels of curiosity that bode well for somebody who can navigate through change and is actually energized by that environment. From a learning and development perspective, companies are trying to work to cultivate those two buckets of skills, even in their current workforce. They recognize that work life could be more difficult for someone who experiences anxiety with constant change and that productivity could decline without the right personal skills.”

Claudia Saran,
Principal, Advisory,
U.S. People and Change Leader
KPMG

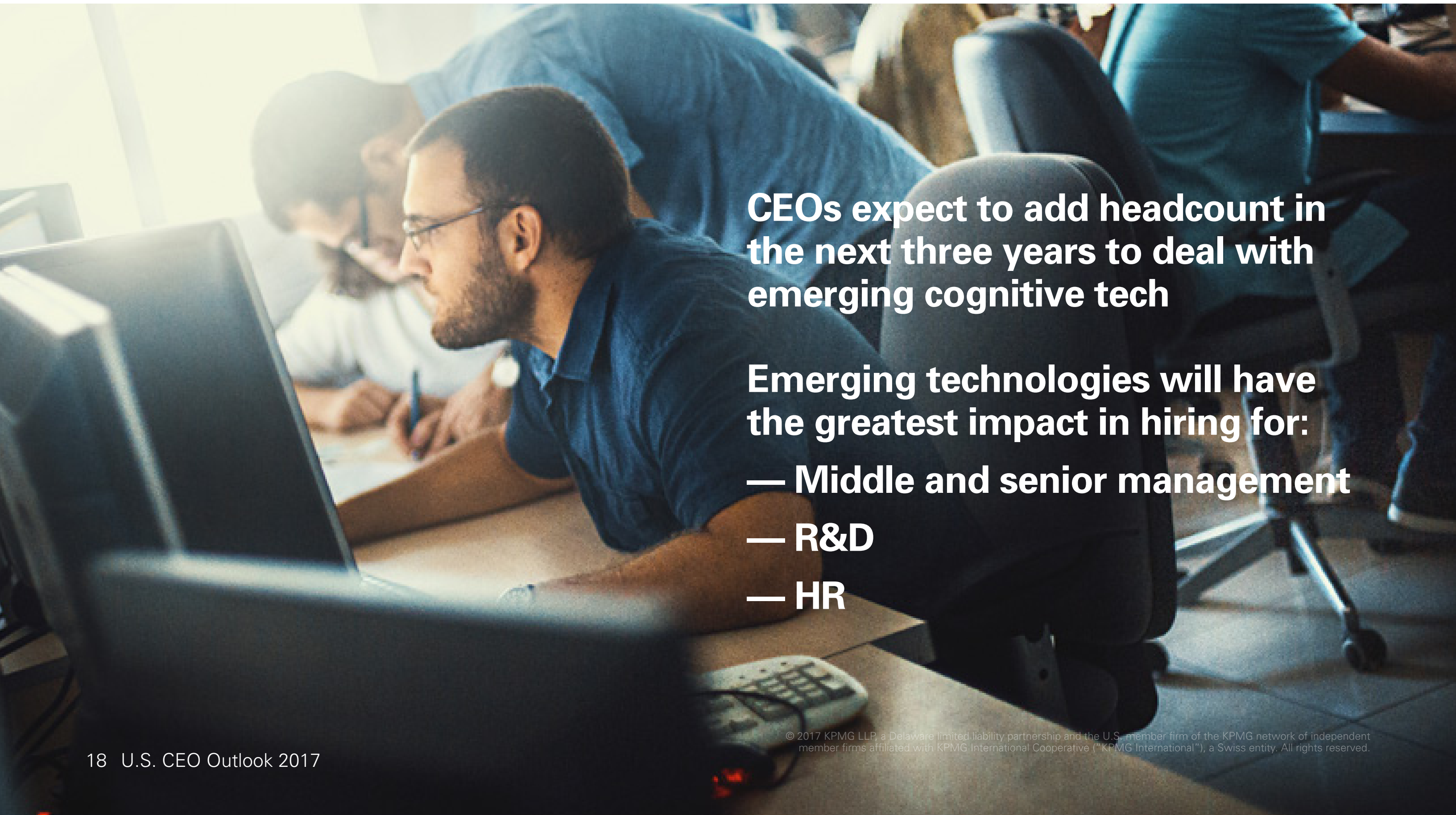
Talent management *(continued)*

Rodney Martin Jr., Chairman and CEO of Voya Financial, recalls the recent fear that robo-advisors would replace human advisors. "It's clear today that will not be the case," he says. Instead, these capabilities are complementary to the human interactions needed between a client and their financial advisor. "Digital automation, artificial intelligence and analytics will enable advisors to focus their time and attention on the more personal aspects of consumer interactions," he predicts. "The best advisors focus on people and their life goals. They provide empathy to customers to help them plan and take action, becoming more of a resource for financial management, as well as a personal advice channel—evolving from financial planning to life planning. The industry is actually becoming more humanized – and robots are supplementing the financial advisor relationship by doing the automated things."

Deanna Mulligan, President and CEO of The Guardian Life Insurance Company of America, agrees. "Opportunities to integrate automation and artificial intelligence offer efficiencies but they do not replace the need for people in our business," she says. "We see these innovations as contributing to our efficiency, providing valuable customer insights and improving the means to serve our customers where, when and how they prefer."

Six out of 10 companies plan to invest in workforce training over the next three years. First, there is the need to introduce process automation and infuse cognitive capabilities where they can have the greatest impact. Most of these systems require training by the humans who do these jobs now. And then there is the question of what do professionals do with their time if their job description changes dramatically. Many organizations are automating back office functions in finance and accounting—areas where there is a heavy repetitive task orientation and the need for high quality assurance, explains KPMG's Saran. That can free finance professionals up to play a more strategic role, assisting managers and operational managers with real-time problem solving, root cause analysis and "what-if" scenario review. "But this requires rapport and relationship-building," she says. That takes time and a different skill set than the traditional accounting major learned in college a decade ago.

Jonas Prising, Chairman and CEO of ManpowerGroup, has also observed that skills cycles are shorter than ever. He sees the emergence of a skills revolution, where helping people upskill and adapt to a fast-changing world of work will be the defining challenge of our time. "Our clients are looking for robust talent pipelines with relevant skills and an appetite for continuous learning," he says.



CEOs expect to add headcount in the next three years to deal with emerging cognitive tech

Emerging technologies will have the greatest impact in hiring for:

- **Middle and senior management**
- **R&D**
- **HR**

The winding path to a customer-centric organization

Is the customer no longer king? It may come as a surprise that customer centricity has ranked so much lower on the list of CEOs' priorities than last year. This year a stronger client focus ranked tenth in strategic priorities, behind responding effectively to regulatory change, talent development and fostering innovation.

"Although the data suggest customer centricity is less of a priority for CEOs, the battle for customer attraction and retention has never been more intense than it is in today's environment," says Rob Arning, KPMG's Vice Chair, Market Development. "As such, we're seeing a stronger focus on executing the basics. CEOs know that in order for their companies to deliver a differentiated client experience, they must understand and anticipate customers' needs and demands while also showcasing the value proposition their organizations can deliver to those customers."

Concerned about driving profitable growth, CEOs have progressed from initiatives aimed at understanding customers to tasks focused on execution—delivering on customer expectations. To this end, CEOs made organizational improvements. For example, more than half (52 percent) have aligned middle- and back-office processes to reflect a more customer-centric approach to front office operations.

Less than half of CEOs (48 percent) believe that they have a growing responsibility to represent the best interests of their customers.

Continued on page 20

48% **Say that as CEO they have a growing responsibility to represent the best interests of their customers**

> **"Articulating and acting on what customers value is the only way companies will win in the market, and make no mistake, there will be winners and losers as competition increases and consumer dynamics evolve."**
>
> Rob Arning,
> Vice Chair, Market Development,
> KPMG

The winding path *(continued)*

The mantra of customer experience that has been reverberating across corporations over several years is now giving way to providing value—for the customers and the company alike. Julio J. Hernandez, Global Head of Customer Advisory, KPMG U.S., welcomes this shift in perspective. "It's not about opening a blank check to the customer; rather, it's about writing the right check and being able to cash it," says Hernandez.

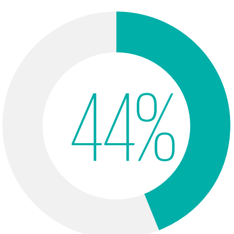
However, articulating the value a company creates for customers, evaluating the ROI of customer-focused programs and finding employees who understand their company's value proposition are all sore spots for many CEOs. Communication may also be a problem: Only 56 percent say their organization can confidently articulate how they create value for their customers, and only 42 percent say that every employee is able to articulate their value proposition to the customer in the same clear way.

CEOs are concerned about their companies' basic ability to articulate their value proposition. "CEOs realize that they may not be able to understand or act on what their customers value as well as they thought," says Alex Miller, Principal, U.S. Strategy Practice Lead, KPMG. CEOs say the biggest challenges to their customer relationships are their ability to target growth segments and demographic groups in home markets (26 percent), followed by maintaining and building their customer base due to disruptive competitors (21 percent).

For Catz, Oracle's success relies on their understanding of what their customers need. "You have to understand," she says, "especially with a product like ours that you can't physically see, that the only way to measure the success of our company is by understanding the success of our customers."

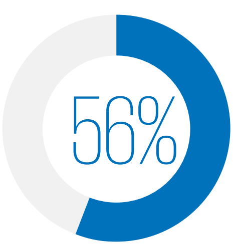
Companies need to know their most profitable customers and channels if they don't want to overspend on customer experience. Miller cites an example of a medical products company that has over the years built relationships with medical professionals, who have traditionally distributed its products. But today, e-commerce has become a much more popular sales channel for the company's products. In this new reality, spending marketing dollars on old relationships does not create value for the company, or for customers who prefer to order online.

Alfred West Jr., Chairman and CEO of SEI, notes that customer value is not a constant. "Evolving customer demands call for the wealth management industry to continually reinvent value," he says.



Say they are placing a high priority on increasing penetration in existing markets

Have aligned middle- and back-office processes to reflect a more customer-centric approach to front office operations



Say their organization can confidently articulate how they create value for their customers

Concerns About Increasing Market Share

		U.S.	APAC	EMEA
Total	1261	400	410	451
Strongly Agree	**8%**	10%	8%	6%
Agree	**30%**	12%	56%	23%
Strongly agree + Agree	**38%**	**22%**	**64%**	**29%**

CEOs in Asia (64 percent) are significantly more concerned than U.S. (22 percent) and Europe (29 percent) about not being able to increase market share. In 2016, U.S. CEOs were more concerned about increasing market share (63 percent) than their European (45 percent) and Asian (46 percent) counterparts.

Insurers seek innovative processes to respond to rapid disruption

Laura Hay, KPMG's National Insurance Leader

The pace of disruption of the insurance industry has reached unprecedented levels. Insurers are facing multiple challenges from improving customer experience and the impact of new technologies to understanding the impact of new entrants and how to leverage data into new insights and value. Fundamentally, insurers are evaluating their business models to understand the changes required to compete in the digital age.

It is not surprising that this year's survey indicates that insurance CEOs are mostly concerned with technological and operational risk. They are looking to innovative processes to respond to the rapid disruption.

We expect to see significant changes in the upcoming years as insurance companies embrace new technologies and adopt new business and operational models. There is a great need to build capabilities that are scalable, agile and sustainable, while concurrently meeting customer expectations. Cybersecurity, for example, is an area of major new investment as it is becoming increasingly important to secure ongoing operations.

> **"While the North Star of the customer has dimmed a little, what the CEOs are saying is: 'We need to still understand the North Star and chart from it while ensuring we have our ship in order to make the customer journey.' They've gone from 'happy talk,' to 'execution talk.'"**
>
> Julio J. Hernandez,
> Global Head of Customer Advisory, KPMG U.S.

Risky business—cybersecurity

CEOs see cybersecurity as one of their top risks but an overwhelming majority also see it as an opportunity to innovate and find new revenue streams. Smart companies are seizing the opportunity to build cybersecurity into their products and innovate around security as a way to enhance trust.

76%

See investment in cybersecurity as an opportunity to find new revenue streams and innovate, rather than as an overhead cost

"While cyber is a big complicated challenge for most companies, when done right, it allows you to support new business models and new technologies by understanding which risks can be effectively taken," says KPMG's Greg Bell, Global Co-leader of Cyber Security Services. It should be aligned with business growth and customer trust, he says.

> **If a cyber program is too rigid or too structured to deal with the types of changes that we expect modern companies to face then it can be an encumbrance rather than an enabler. You need to have a cyber program that strategically links to where the business is going.**

Greg Bell,
Global Co-leader of
Cyber Security Services,
KPMG

Despite the broad recognition that cybersecurity is an opportunity to innovate, most organizations still treat it as a risk management exercise. "Budgets and hiring are still tied to the risk management question, not to the innovative business growth question," he says. One question that Bell posits is: "Should companies be measuring the percentage of cyber spend against their entire innovation spend rather than just against IT spend?"

Traditionally, the job of security was to protect the network. But today, very little of that network remains inside the four walls of most organizations. "They're partnering with cloud and network service

Continued on page 24

Regulatory risks not easing; strategic and operational risks escalate

Kelly Watson, KPMG's U. S. National Service Group Leader—Risk Consulting

In last year's CEO study, we found CEOs were most concerned with cybersecurity, regulatory and geopolitical risks. While these risks are still high priorities, we discovered this year CEOs are contending with a more dizzying array of risks as strategic and operational risks escalate.

The pace of regulatory change is not slowing. The shifting U.S. political landscape has brought expectations of regulatory change and roll-backs and CEOs must ensure their companies remain diligent in risk management and compliance. Seventy-seven percent of CEOs said they are focusing more on scenario planning to manage the political environment. This includes determining how to use technology, such as data analytics and digital labor to improve risk management and compliance effectiveness.

Technology is rapidly advancing. CEOs face risks as they retool their organizations to embrace it and invest in emerging technologies to establish closer customer connections.

As if regulatory and technological change aren't enough to tackle, U.S. CEOs are also challenged with supply chain risk as they become more U.S.-centric and reassess global footprints.

This confluence of risks makes it critical for Chief Risk Officers and Chief Compliance Officers to review strategies with their CEO. Disruption brings challenges and opportunities and with it an increasingly complex risk environment.

Risky business *(continued)*

What keeps CEOs up at night?

providers to host and support critical parts of their business," explains Bell. "They're touching and engaging customers in new and innovative ways. They're outsourcing parts of their supply chain or their value chain to trusted business partners. Their information is flowing to support critical business transactions across the entire cavalcade of supply chain and customers that are much more tightly coupled than ever before."

That disperses risk across a vast network that lives outside of the enterprise. "When you think about that as an ecosystem, you tend to describe the challenges in impacts to critical business transactions versus systems," he explains. "Where do the transactions start? Where does it flow through at that ecosystem? Does it start with the customer? Does the customer directly start a transaction? How does it flow through the business process? Ultimately, the technology infrastructure can help you get an indication of where that risk could take place. You can't decouple the third parties from the internal." He argues that companies need to understand which third party they are relying on to manage each transaction.

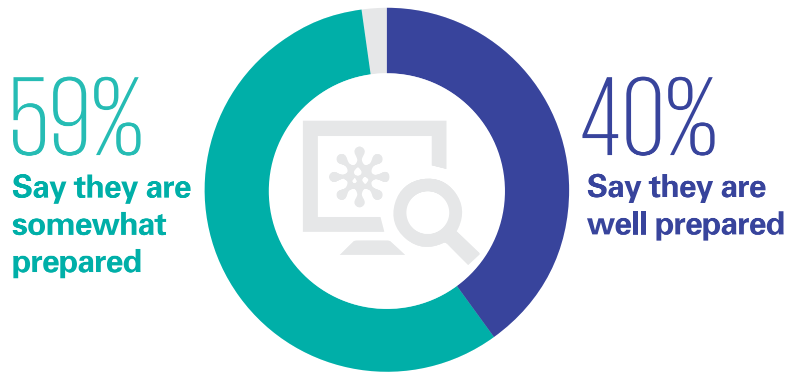
At the same time, emerging technologies are driving innovations in connected devices and other areas and companies are potentially increasing the cyber risks to their products/services. Tony Buffomante, Principal and U.S. Leader of KPMG's Cyber Security Services practice, is working with a technology device manufacturer to embed identity and security into their products right from the outset of design.

"They understand that the future is machines talking to each other, not necessarily human to machine," he says. Improvements in mitigating vulnerabilities provide companies with increased assurance of product reliability, but, as with everything else, technologies continue to evolve and new vulnerabilities emerge every day, he says. Getting them at the roots goes back to a central theme of secure-by-design. "That's where the big win is at, to be able to reduce the amount of those vulnerabilities getting introduced into the wild. Not only does this increase security and consumer confidence, but it reduces costly remediation and rework post production," he explains.

Mitsubishi Hitachi Power Systems Americas treats cybersecurity as part of R&D. "We want it to be built in and we want it to be something that's operating in the background without it having to be right in the customer's face," says the company's CEO Paul Browning. "As we implement more intelligence into our products, this challenge takes on a higher priority."

Thaddeus Arroyo, CEO of Business Solutions and International at AT&T, understands this well. Security is not only an imperative, it is an opportunity for AT&T. "We've been in the business of connecting companies, people and things for more than a century, but we're approaching connectivity differently now," he says. "As the world becomes more connected and the lines between digital and physical continue to converge, the new business technology ecosystem is defined by a global, mobile consumer base and workforce. On top of that, there is a new generation of enterprise applications and IoT solutions that need a dynamic, highly secure network platform to thrive." ■

How prepared are you for a cyber event?



Follow the money: where do CEOs plan to significantly invest in the next three years?

"Our number one priority is making sure that we're selling a product that has the highest levels of cybersecurity for the operation of our customers' power."

Paul Browning, CEO of Mitsubishi Hitachi Power Systems Americas

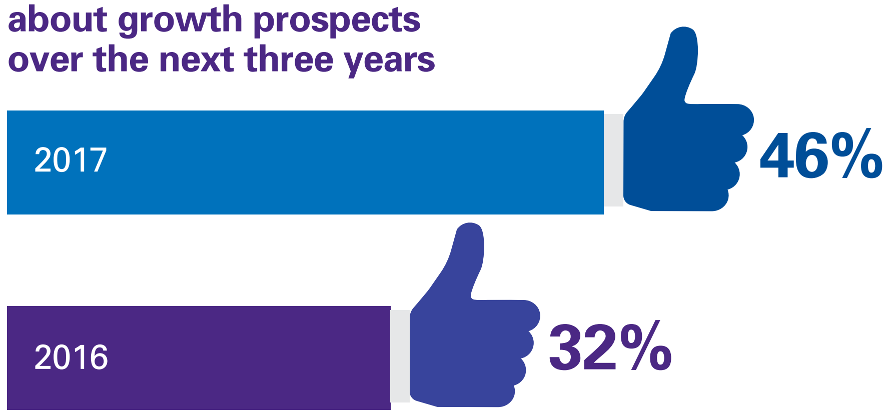
> It's not surprising that more than half (56 percent) of CEOs say the political landscape is having an outsized impact on their organizations. We've seen decisions at U.S. companies stall since the elections because the impact of proposed changes to regulation and taxes could be significant. Until the way forward becomes more clear, leaders still have to run their businesses and may have to make choices that address near- to mid-term objectives and demands. Making those choices and compromises is a fact of life in business that hasn't and won't ever really change, regardless of the political or policy landscape.

Jeff LeSage,
Vice Chairman, Tax,
KPMG

New politics, old fights

Just like markets, CEOs abhor uncertainty. Thus, the conclusion of the drawn-out U.S. presidential campaign has led to the increase of confidence this year. "We feel better. Last year at this time, we would have been thinking about what the administration was going to be and where that was going to play out for us. Today, at least knowing that we have an administration in place helps us focus more on the issues that could be a play for us. Broadly speaking, they are positive," says Tom Hayes, President and CEO of Tyson Foods, who is very bullish on the U.S. economy.

CEOs who are "highly confident" about growth prospects over the next three years



It's about time CEOs started to express more confidence in the economy, says KPMG's Constance Hunter. The growth rate may remain in the low single digits but the breadth of the recovery is a significant factor in the overall stability of the U.S. economy. Add to that the nearly 80 months of consecutive jobs growth and continued deleveraging among households and companies and this growth looks sustainable and real.

How much of a role does politics play in the confidence CEOs are feeling? "The President ran on an economic message of making economic growth a top priority. The combination of the prospect for tax reform, the biggest and most radical since 1986, and the regulatory reforms, can explain some of the increase in CEOs' confidence," says John Gimigliano, Principal in Charge, Federal Legislative and Regulatory Services, KPMG.

For organizations in several industries, confidence levels are likely being influenced by anticipated changes to regulation. "In the U.S., a review is under way to ensure that existing regulations—across many sectors of the economy in addition to financial services—strike the right balance and are achieving the desired outcomes," says Brian Moynihan, CEO of Bank of America. "That process will play out through the year."

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The customer is central to business growth strategies

Mark Larson, KPMG's National Line of Business Leader, Consumer & Retail

Consumers have considerable power to influence the success or failure of a consumer packaged goods (CPG) or retail company's business strategy. From the front office to the back office, in this slow growth environment it's more important than ever to deploy strategies that will help companies thrive in the marketplace. With growth and the customer at the top of CEOs' agendas in terms of strategy and investment, it is clear that these organizations have little margin for error when deciding where and how to invest resources.

With sixty-eight percent of Retail and CPG CEOs concerned that they are not leveraging digital means to connect to their customers as effectively as possible, it is clear that more work can be done to realize value through technology. Their investment objectives over the past 12 months and for the next three years seem to support their concern. The majority of CEOs noted that their companies invested in digital infrastructure as well as governance and risk in the past year to get closer to customers and improve bottom line growth. Over the next three years they plan to further these objectives with significant investments in physical and digital infrastructure. This focus on digitizing their businesses and on infrastructure are key to addressing operational and cyber risks, which CEOs agreed were top concerns that can heavily impact growth and customer relationships.

New politics *(continued)*

"In the current environment with regulatory change in flux, initially businesses were proceeding cautiously," says KPMG's Ozanus. "While companies continue to acknowledge that uncertainty may be the reality for the near term, they are determined not to be paralyzed by it. For example, as it relates to M&A, companies are not allowing the inconclusiveness of healthcare, tax reform and regulatory change to be the sole factor that drives their decision making. They are migrating to decision making based on the strategic rationale which always has proven effective. "

Then there is the need for access to talent—a key issue for CEOs. Washington's discussion about immigration policies might pose challenges of uncertainty for businesses in the short term.

Continued on page 30

CEOs become more U.S.-centric

View U.S. as top market for new growth; last year U.S. CEOs viewed India (44%) as top market for growth followed by U.S. (37%) and China (36%)

Are recruiting new skills to manage geopolitical environment 77%

Are spending much more time on scenario planning related to geopolitical environment 77%

Are reassessing their global footprint 54%

Energy CEOs confident; invest heavily in innovative technologies

Regina Mayor, Global and U.S. Energy Leader, KPMG

There is a sense of overall optimism in the energy industry. Commodity prices are stabilizing and break even prices are becoming more sustainable. It's no surprise that our study reflects energy as one of the industries most confident that growth is on the agenda. North America is a major growth area for the industry, and while there are a number of global opportunities, major shale plays in the U.S., such as the Permian Basin, are driving significant market activity and investment opportunity.

The energy sector is an incredible place to be right now. As our survey points out, executives are investing heavily in innovative technologies, which have the capacity to completely disrupt the way we operate. Digitization is on the minds of all energy executives – concepts around digital labor and cognitive are being explored across the industry. While this may create disruption, these new technologies and others around renewables, the hydrogen concept, or "creating energy from air," and battery storage are putting us in a position to make big change. Those industry players that adapt to transform their operating models and make the right investments in digital will really lead the way.

"Where CEOs have a choice between deploying capital and deploying labor, they are gradually choosing to deploy capital as wages increase in the late cycle of the recovery. This should be good for the economy because productivity has been falling for the last decade or so—this is exacerbated by the nature of a services economy where automation has not yet had as much of a role as it has had in manufacturing. If we can start to get more productivity gains through cognitive, data and analytics, blockchain, and the Internet of Things, then we have the potential to really see a surge in productivity. This would likely result in the creation of all sorts of new products and services and jobs in areas we couldn't possibly have imagined before that productivity surge takes place."

Constance Hunter,
Chief Economist, KPMG

> **If we put the competitive markets at risk, we disincentivize innovation and slow the adoption of new technologies that make the most sense for customers.**

Mauricio Gutierrez,
President and CEO,
NRG

Globalization today

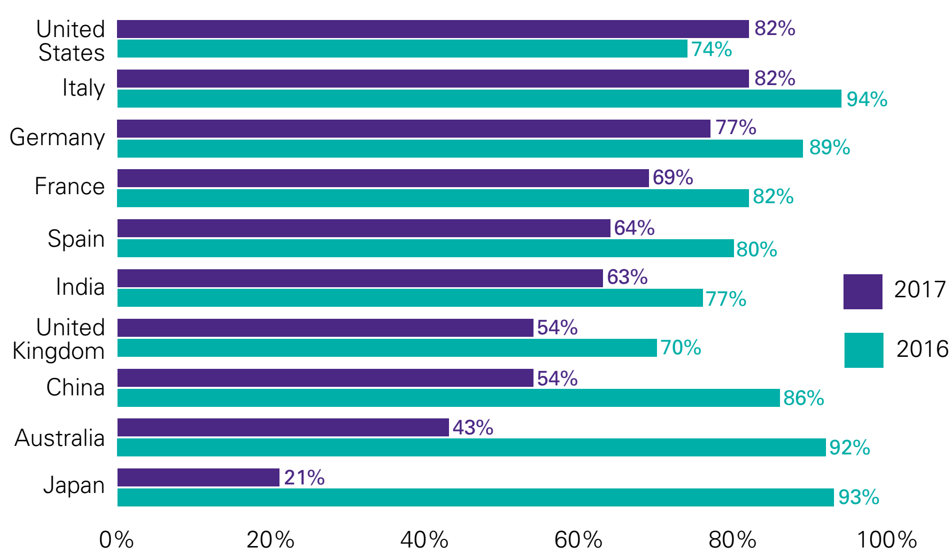
The shift in the approach to globalization and free trade may be the most baffling. "For so long it was a bipartisan view that trade was mostly good for everybody. I don't think you can say that anymore," says KPMG's Gimigliano. And yet, many CEOs we spoke with stand firmly by the benefits of free trade. "The benefits of globalization are evident and undeniable," says NRG's Gutierrez.

For John Wiehoff, CEO of C.H. Robinson, "the ultimate opportunity for global supply chains is when few to no barriers exist and goods are able to move freely. Our growth—and others' in the industry—is optimized when we can apply innovative ideas and efficient technology on a global scale."

Even before the surge in populist and protectionist rhetoric, the economics of globalization were beginning to change. "This economic nationalism is really dovetailing with some of the efforts companies have already started to embark upon," says KPMG's Weaver. The move to industry 4.0 and integration of technology and data systems are drawing product development and delivery closer together. Automation in the U.S. and rising wages in Asia are changing the labor equation. Many organizations are already shortening their supply chains. "When you layer on this economic nationalism, it becomes a catalyst for companies to accelerate what they were already doing," says Weaver.

In the end, technology trumps politics, with CEOs pointing to speed of execution as key to success. While concerned about protectionism and the possibility of rising interest rates, CEOs don't think that politics is going to be the deciding factor. Thyssenkrupp's Bass points to technology as the main driving force. "The main driver of growth is innovation and the use of technology. The speed of innovation and business model transformation in the United States are much faster and broader than in any other region in the world," he says.

Country-by-country confidence in global economic growth over the next three years



"The main driver of growth is innovation and the use of technology. The speed of innovation and business model transformation in the United States is much faster and broader than in any other region in the world."

Patrick Bass, CEO,
thyssenkrupp North America

Financial Services CEOs embrace digital to ward off fintech start-ups

Jitendra Sharma, KPMG's National Advisory Leader, Financial Services

Banking and Capital Markets' CEOs are facing the most significant transformational era in their history, as technology drives the pace of change at speeds never seen in prior industrial revolutions. For these CEOs, it is a time to embrace digital transformation across their enterprise and gain long term competitive advantage or lose customers to the more nimble and technically advanced fintech start-ups.

This year's survey indicates that the majority of banking CEOs plan to launch a major new investment program in digital infrastructure, with 80 percent having increased investment in this area in the last year.

Whether the traditional banks go it alone or partner with fintech start-ups, the banking industry faces significant challenges to keep its current customers and attract new ones—as more and more retailers and technology companies enter the market with innovative ways to touch the customer.

Digital transformation in the banking industry begins with enhancing the customer experience, but the real payoff comes when they digitize their entire enterprise—using robotic process automation to eliminate repetitive tasks and gain operational efficiencies, and so employees can focus on continuing to improve the customer experience.

Conclusion

CEOs are rebooting their organizations and building strategies around managing the value chain in an environment of constant disruption. They realize that artificial intelligence, machine learning and cognitive capabilities could bring a surge in productivity, as well as help to create new products and new demand that would not be possible without these capabilities. There is a lot of building behind the scenes and a steep learning curve—not only for the C-suite but also across the enterprise. CEOs are approaching this stage with a broad understanding of value, which encompasses creating value for the organization, customers and employees.

New digital value creation

Having embraced digital, CEOs are now determining how much investment is necessary to achieve that innovation-fueled growth, balancing between the short term and the long term. Their perspective on becoming a digitized company has evolved from thinking in terms of a product to thinking about competency.

The importance of speed

CEOs realize the breadth of the impact that cognitive technology and artificial intelligence will have on the business model and the operating model that supports the business, with speed as the driving force. They see change as not a linear but an exponential progression.

Human before machine

Technology may be driving transformation, but succeeding in the cognitive era requires a coherent strategy and enlightened talent management. It's not just about technology; it's about people and values, and the ability to create an organization that can adapt to accelerating change. It is people who are the differentiating factor for many businesses.

Profitable customer centricity

The mantra of customer experience that has been reverberating across corporations over several years is now giving way to providing value—for the customers and the company alike. Concerned about driving profitable growth, CEOs have progressed from initiatives aimed at understanding customers to tasks focused on execution—delivering on customer expectations.

Cybersecurity as innovation driver

CEOs see cybersecurity as one of their top risks, but an overwhelming majority also see it as a chance to innovate and find new revenue streams. Smart companies are seizing the opportunity to build cybersecurity into their products and innovate around security as a way to enhance trust.

Technology trumps politics

While concerned about protectionism and the possibility of rising interest rates, CEOs don't think that politics is going to be the deciding factor. They see innovation and the use of technology as the main drivers of growth, and they stress that the speed of innovation and business model transformation in the U.S. are much faster and broader than in any other region of the world.

Trust is the foundation of success

There is a perceived inherent conflict between espousing humanistic values and profits. Short-termism is an issue, but CEOs we spoke with see the long term value of trust and ethics. It's the age of the machine, but human values, such as trust or empathy, rank high on the list of CEO priorities. Perhaps this is because trust and empathy are what machines are not able to give us, or at least, not yet.

Acknowledgments

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Forbes Insights conducted interviews with a number of U.S.-based CEOs to deepen and expand content for this report. We would like to thank the following chief executives for sharing their time, expertise and strategic vision:

Kevin Akeroyd
Cision

Thaddeus Arroyo
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Safra Catz
Oracle

Adena Friedman
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Paul Galant
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Mauricio Gutierrez
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Tom Hayes
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Rodney Martin Jr.
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Brian Moynihan
Bank of America

Deanna Mulligan
Guardian Life Insurance Company of America

Jonas Prising
ManpowerGroup

Alfred West Jr.
SEI

John Wiehoff
C.H. Robinson

Methodology

The survey data published in this report is based on a survey of 400 chief executives from the United States. Eleven key industries are represented, encompassing automotive, banking, infrastructure, insurance, investment management, life sciences, manufacturing, retail/consumer markets, technology, energy/utilities, and telecom. One hundred CEOs came from companies with revenues between US$500 million and US$999 million, 180 from companies with revenues from US$1 billion to US$9.9 billion, and 120 from companies with revenues of US$10 billion or more. The survey was conducted by Forbes Insights between February and April of 2017.

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Learn more at www.kpmg.com/us.

For further information about this survey and how KPMG can help your business, please contact me:

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